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Weekly Highlights and Hot Bites #8

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Report Highlights:

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- LEGISLATORS DEMAND DUMPING INVESTIGATIONS ON U.S. PRODUCTS
- PROBLEMS WITH POULTRY SAFEGUARD
- GIL DIAZ SEES GREATER GROWTH IN 2006
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- UPDATE ON MEXICAN ISPM-15 IMPLEMENTATION

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
[MX]

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

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MEXICO RULES OUT POTENTIAL U.S. TARIFFS ON AGRICULTURAL IMPORTS

Sergio Garcia de Alba, Mexico's Secretary for the Economy, stated last week that the GOM is confident that the United States will not impose compensatory tariffs on imports of Mexican agricultural products. Some U.S. growers have been lobbying for such treatment due to displacement of domestic product. Garcia de Alba stated that he believes that the Bush administration will not carry out dumping investigations because Mexican export growth under NAFTA reflects an honest effort by Mexican growers to improve product quality. Secretary Garcia reported that he and Secretary of Agriculture Francisco Mayorga traveled to Washington last January to discuss potentially controversial issues that may arise over the next few months. These discussions were fueled by the political unrest generated by Mexico's presidential elections this coming July. (EL ECONOMISTA, FEB. 20)

LEGISLATORS DEMAND DUMPING INVESTIGATIONS ON U.S. PRODUCTS

The congressional representatives of Mexico's agricultural workers intend to demand that the Fox administration investigate, and register a formal complaint against, all U.S. agricultural commodities for dumping. Rep. Cruz Lopez, president of the Agriculture Commission, claims that Washington is planning to increase agricultural subsidies by 70%, an increase he believes to be in clear violation of WTO agreements. However, Cruz Lopez presented no evidence of dumping, and admittedly, all of his comments were based on suspicions and rumors. Beyond discussions of subsidies and dumping, opposition legislators believe that the GOM has allowed rural infrastructure to weaken, and crops to be lost because congress has systematically delayed approval of support to farmers. The agricultural worker associations are demanding serious regulatory reform based on two key elements: speeding up government program operations, and investing in storage, transport, and crop processing. (EXCELSIOR, FEB. 20)

PROBLEMS WITH POULTRY SAFEGUARD

Mexico's Poultry Producers Association (UNA) reports that according to USDA data, U.S. chicken leg quarters (CLO) exported to Mexico under the safeguard agreement did not fill the TRQ in 2005. However, UNA reports that Mexican import data shows that the TRQ did fill in 2005. UNA asserts that importers used individual permits to bring in multiple shipments to avoid paying duties. However, UNA provided no proof of such actions, but stated that it is

working with Mexico's customs authority to investigate the situation and, if necessary, will take legal action. (Source: Reforma 20/02/06)

GIL DIAZ SEES GREATER GROWTH IN 2006

Finance Secretary Francisco Gil Diaz reiterated that the country's economy will grow as much as 3.7 percent this year, explaining that growth would have been stronger had his government been able to introduce changes to the labor markets and tax system. "Our 3.5 percent to 3.7 percent forecast still stands," Gil Diaz told reporters on Tuesday, February 22, 2006, after a meeting with investors in London. Yet growth has, "been disappointing because we have relied on a number of institutions which have not been transformed quickly enough. We have not been able to reform the energy sector; the same is true of labor and tax reform." The economy expanded by 2.7 percent in the fourth quarter as falling interest rates, exports, and job creation spurred economic growth. (Source: El Universal; 02/22/2006)

SCHEDULE FOR RETURN OF SUGAR MILLS REMAINS UNCERTAIN

The Mexican government has yet to receive official notification from the Supreme Court of Justice reversing the government expropriation of a number of privately owned sugar mills. Jose Manuel Tapia, Director of the expropriated mills fund, FEESA, indicated that discussions of financial arrangements for returning the mills to their original owners would be mere speculation at this point, as the content and regulations of the Court decision have not been made public. (Source: Financiero 02/22/06)

UPDATE ON MEXICAN ISPM-15 IMPLEMENTATION

Since the beginning of Phase II implementation of the ISPM-15 (NOM-144 in Mexico) standard for wood packaging materials (WPM), the Federal Attorney's Office of Environmental Protection (PROFEPA), the responsible agency in Mexico for its implementation, has been working to resolve operational and administrative issues with Mexican Customs. However, to date, Customs has not allowed PROFEPA to exercise enforcement authority to detain, reject, or direct the replacement of non-compliant packing material. So far, all NOM-144 non-compliant shipments are being allowed to continue through the import process with no more than a warning notice.

A SEMARNAT official confirmed that neither SEMARNAT nor PROFEPA are receiving routine reports from their U.S. counterparts indicating the incidence of non-compliance with ISPM-15. Likewise, a SEMARNAT official reported to ATO Monterrey that the agency is not receiving notifications of "non-compliance" of imported WPM from PROFEPA border inspectors. (ATO Monterrey, 2/23/2006)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

| NUMBER | TITLE | DATE |
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| MX6016 | Weekly Highlights and Hot Bites #7 | 2/17/06 |
| MX6015 | Weekly Highlights and Hot Bites #6 | 2/13/06 |
| MX6014 | Pork Leg Panel Review | 2/10/06 |
| MX6013 | Modification to NOM-044, Campaign against Avian Influenza | 2/7/06 |
| MX6012 | Weekly Highlights and Hot Bites #5 | 2/3/06 |
| MX6011 | Poultry Semi-Annual | 2/1/06 |
| MX6010 | Livestock Semi-Annual | 2/1/06 |
| MX6009 | Weekly Highlights and Hot Bites #4 | 1/27/06 |

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